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TELEGRAM

July 09, 2003

To: No Action Addressee
Action: Unknown
From: AMEMBASSY ABU DHABI (ABU DHABI 3208 - UNKNOWN)
TAGS: ECON, EFIN, EINV, EPET, PINS, PREL, PGOV
Captions: None
Subject: ABU DHABI'S NEXUS OF ECONOMIC POWER, PART II: THE ABU
DHABI EXECUTIVE COUNCIL
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S E C R E T ABU DHABI 03208

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CXABU:
ACTION: ECON
INFO: POL P/M AMB DCM
Laser1:
INFO: FCS

DISSEMINATION: ECON
CHARGE: PROG

APPROVED: AMB: MMWAHBA
DRAFTED: ECON: CCRUMPLER
CLEARED: A/DCM:KVANDEVATE ECON:TWILLIAMS C/ECON:OJOHN POL:SWILLIAMS

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S E C R E T SECTION 01 OF 07 ABU DHABI 003208

SIPDIS

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E.O. 12958: DECL: 7/9/2003
TAGS: [ECON](#) [EFIN](#) [EINV](#) [EPET](#) [PINS](#) [PREL](#) [PGOV](#) [TC](#)
SUBJECT: ABU DHABI'S NEXUS OF ECONOMIC POWER, PART II: THE
ABU DHABI EXECUTIVE COUNCIL

¶1. (U) Classified by Ambassador Marcelle M. Wahba, for reasons 1.5 (b) and (d).

Introduction

¶2. (C) This is the second cable in a series that focuses on the informal, and less visible, power structure of Abu Dhabi emirate and -- through the power of the purse strings -- the UAE federal government. The Supreme Petroleum Council (see reftel), the Abu Dhabi Executive Council, and the Abu Dhabi Investment Authority (ADIA) together form the "Iron Triangle" of economic institutions in the UAE. This message attempts to describe the second -- and perhaps the most powerful -- leg of that Iron Triangle, the Abu Dhabi Executive Council, which oversees all major budgeted government expenditures for Abu Dhabi Emirate and the federal government. End introduction.

Summary

¶3. (C) The Abu Dhabi Executive Council determines how Abu Dhabi Emirate's oil wealth is spent, approves the federal budget, and wields tremendous influence over major construction contracts, and multi-year, multi-billion dollar expansion projects. Although some observers say the Executive Council is simply Crown Prince Khalifa's rubber stamp of approval -- indeed, Khalifa has approved projects in advance and presented them to the Executive Council as a matter of protocol -- such instances are infrequent. Working-level UAE bureaucrats, American businessmen, and our Commercial Officers contend that the Executive Council members symbolize years of practical experience in running local government, as well as their own substantial private businesses.

¶4. (C) In addition to a handful of royal family members and shaykhs, the chairmen of the key Abu Dhabi departments also are members of the Executive Council. Membership changes only when a department chair leaves his post, usually through retirement or reassignment to a higher position. As in the Supreme Petroleum Council (SPC), the Executive Council is chaired by Abu Dhabi Crown Prince Khalifa bin Zayid Al-Nahyan and consists of his key tribal allies and trusted advisers. The Bani Fatima -- as the six sons of Zayid's wife are known -- are not well represented in this key power structure.

¶5. (S//NF) The amount of money at the disposal of the Executive Council during any given year is unknown, but the Abu Dhabi Finance Department estimates that total current expenditures for the emirate of Abu Dhabi in 2002 totaled more than USD \$13 billion. Indeed, the Deputy Managing Director of ADIA speculates that Abu Dhabi Emirate receives about 85 percent of the UAE's annual oil revenue (about USD \$16 billion in 2002) -- with the remaining 10 and 5 percent tranches going to top tier royal family members and ADIA, respectively.

¶6. (C) The Executive Council oversees the formation of the Abu Dhabi Emirate budget, as well as influencing the final shape of the UAE federal budget. It's unclear whether the Executive Council weighs in on certain big-ticket off budget items, such as off budget defense outlays, internal security expenditures, social programs supported by Abu Dhabi (such as the pension fund and marriage fund), and other subsidies and transfers not included in the federal accounts. While the Executive Council may be aware of such expenditures, it does not appear that it either deliberates or approves the outlays. President Zayid and Shaykh Khalifa retain ultimate veto power for such high profile and often personally lucrative projects.

Executive Council Members: Shaykhs, Allies, and Technocrats

¶7. (C//NF) The membership of the Executive Council is strikingly similar to that of the Supreme Petroleum Council (SPC). Five of the Executive Council's 16 members also sit on the SPC, including Shaykhs Sultan, Tahnoon, and Surour. Shaykh Khalifa is without full brothers. Although the Bani Fatima are not represented on the Executive Council, UAE Armed Forces Chief of Staff Shaykh Mohammed (MbZ) -- the eldest of the Bani Fatima -- has cultivated important alliances with Executive Council members Shaykhs Saeed and Hamed.

¶8. (C//NF) In addition to Crown Prince Khalifa, three of Shaykh Zayid's sons sit on the Executive Council, and head perhaps the most important and influential offices in the Abu Dhabi bureaucracy:

¶A. Shaykh Sultan bin Zayid Al-Nahyan, who also holds a position on the SPC, is the nominal UAE Deputy Prime Minister and Deputy Chairman (Vice President) of the Executive Council. Probably more important, he is Chairman of Abu Dhabi Public Works. Crown Prince Khalifa's son, Mohammed, is married to Sultan's daughter. Although Sultan is marked by scandal -- Post has confirmed that Sultan struggles with alcohol and drug addiction -- he has refrained from commercial ventures and reportedly is personally repulsed by some of his relatives' corruptibility.

¶B. Shaykh Saeed bin Zayid Al-Nahyan is Chairman of the Abu Dhabi Seaport Authority, and formerly held the position of Undersecretary at the powerful Abu Dhabi Planning Department. His mother, Aisha Al-Darmaki, hails from the very influential and business-oriented Al-Darmaki tribe. Saeed is considered to be an ally of Shaykh Mohammed.

¶C. Shaykh Hamed bin Zayid Al-Nahyan is a young, dynamic and Western educated son of Zayid from the Bani Muza line. He received a Masters in Economics from the University of Wales in 2000, and -- only in his early thirties -- was recently named Chairman of the Abu Dhabi Department of Economy. A number of American businessmen here say that Hamed is a progressive thinker, and -- in his capacity as Chairman of the Board of the General Health Authority -- is supportive of privatization of the health services sector.

(Note: Although not an official member of the Executive Council, Shaykh Dhiyab bin Zayid Al-Nahyan -- as head of the Abu Dhabi Water and Electricity Authority -- is a frequent observer to Executive Council meetings. He is Shaykh Zayid's 16th son (born in 1972), and is a full brother to Shaykh Saeed. Dhiyab speaks excellent English and graduated from UAE University in 1994. End note.)

¶9. (C//NF) Crown Prince Khalifa deliberately has included rival branches of the Al-Nahyan in powerful local positions. Five other royal family members therefore, including Crown Prince Khalifa's son and a handful of Shaykh Zayid's cousins and nephews, also appear in the Executive Council line-up. Although their presence on the Executive Council is clearly a political move -- the second largest town in Abu Dhabi Emirate, Al-Ain (the seat of the Al-Nahyan), is well represented here -- these shaykhs also have years of practical experience in running local government. Most head important Abu Dhabi or Al-Ain departments, and maintain private business interests:

¶A. Shaykh Sultan bin Khalifa Al-Nahyan is the Crown Prince's son and President of Crown Prince Khalifa's court. He is also Honorary President of the Abu Dhabi Chamber of Commerce and Industry, which suggests his avid business interest. Sultan has significant real

estate holdings in Abu Dhabi, and is the local agent for French jeweler Cartier. He has been known to misuse his royal status to take advantage of commercial opportunities in Abu Dhabi and ask for kickback payments -- often to his father's chagrin. Sultan's uncle, MbZ, reportedly implicated him in a corruption scandal circa 1995, alleging that Sultan took kickbacks from a private firm for a government contract -- he's known as "Shaykh Ten Percent" -- and, as a result, Crown Prince Khalifa has since forbidden Sultan from representing foreign companies seeking government contracts. More recently, Zayid reportedly ordered his grandson to diversify his ownership in the lucrative construction of Marina Mall in Abu Dhabi and allow other shareholders.

1B. Shaykh Tahnoon bin Mohammed Al-Nahyan is the Deputy Chairman (Vice President) of the Executive Council, and also the President's Representative to the Eastern Region (Mayor of Al-Ain). He is from the Bani Mohammed -- the uncles to Crown Prince Khalifa on his mother's side (Zayid's only former wife within the Al-Nahyan) -- that in the past represented a political counterweight throughout Abu Dhabi government to Zayid's progeny. Tahnoon is in his sixties and is a respected elder and close adviser to Crown Prince Khalifa. Not surprisingly, he also holds a position on the SPC.

1C. Shaykh Saeed bin Tahnoon Al-Nahyan has many years of experience in Al-Ain government -- currently as Head of the Al-Ain Municipality, and formerly as the Undersecretary of the Al-Ain Municipality and Town Planning Department. Saeed is the most prominent son of Tahnoon bin Mohammed -- who also sits on the Executive Council -- and together they form a powerful Al-Ain lobby. Saeed and his father reportedly hold a monopoly on all Al-Ain projects; only Shaykh Zayid and Khalifa can veto their business activities in the Eastern Region.

1D. Shaykh Hamdan bin Mubarak Al-Nahyan has worked his way up through the ranks of the Abu Dhabi Department of Civil Aviation since joining the Department in 1985, and now acts as Chairman. He is from Al-Ain and is son-in-law and brother-in-law to Executive Council members Tahnoon bin Mohammed and Saeed bin Tahnoon, respectively. Ironically, Hamdan told Embassy officials several years ago that he has no interest in private business. He is a liberal thinker and considered to be pro-Western.

1E. Shaykh Surour bin Mohammed Al-Nahyan, who also sits on the SPC, holds the largely honorific title of Chamberlain of the Presidential Court, but owes his position on the Executive Council more to his business acumen and many years of experience in Abu Dhabi Municipality. He was formerly UAE Central Bank Governor, Chairman of the Abu Dhabi Department of Justice, and Head of Purchasing for Abu Dhabi. Surour has many private business interests, including significant real estate holdings in the United States, and has largely divorced himself from governmental responsibilities in recent years. He is a son-in-law of Shaykh Zayid and Shaykha Fatima, and also is related by marriage to the Al-Ghurair -- the leading merchant family in Dubai.

110. (C//NF) Crown Prince Khalifa has cultivated close relations and business ties with major Emirati families, particularly those with roots in other areas of Abu Dhabi Emirate, such as Al-Ain and Liwa. In addition to their local prominence on the Abu Dhabi commercial scene, these successful businessmen head the major departments in Abu Dhabi Municipality and provide invaluable technical and financial counsel to Khalifa. It is interesting to note that former Iraqi Foreign Minister and long-time resident of Abu Dhabi Adnan Pachachi also once served on the

Executive Council:

¶A. Shaykh Mohammed bin Butti Al-Hamed is the President's Representative to the Western Region (Mayor of Abu Dhabi), as well as Chairman of the Abu Dhabi Power and Water Authority and Sewage Projects Committee. Bin Butti reportedly uses his municipal position to benefit his private business interests -- he chairs the Al-Hamed Group of Companies, and is one of 14 shareholders in Al-Ahlia General Trading Co. Ltd. (the local agent for BMW). It is rumored that the relatively modest and unassuming Khalifa dislikes the corruptible bin Butti, and has sought to remove him as Abu Dhabi Mayor. Earlier this year, more than 300 employees were fired from Abu Dhabi Municipality, reportedly as a warning to bin Butti to reign in his excesses. Bin Butti heretofore has been impervious to Khalifa's attacks, probably because of his long relationship with Shaykh Zayid. It also helps that three of his daughters are married to sons of Shaykh Zayid.

¶B. Mohamed Habroush Al-Suweidi is a trusted and long-time financial adviser to both Shaykh Zayid and Crown Prince Khalifa, and has years of experience in both emirate and federal-level government. He currently heads the Abu Dhabi Finance Department -- the bookkeeper and accountant for Abu Dhabi and the UAE -- as well as the National Drilling Company, Islamic Development Bank, National Bank of Abu Dhabi, and other prominent economic organizations. Al-Suweidi is a member of the SPC by virtue of his position on the ADNOC Board of Directors. In the early days of the federation, he held the positions of Minister of State for Finance and ADIA Director.

¶C. Khalfan Ghaith Al-Muhairbi chairs two important departments in Abu Dhabi Municipality -- the Purchasing Department and the Social Services Department -- and therefore holds two seats on the Executive Council. Prior to his appointment to the Purchasing Department in 1991, he served as the Undersecretary for the Abu Dhabi Finance Department for Customs Affairs, and was on the Board of Directors for Gulf Air.

¶D. Ali bin Ahmed Al-Dhaheiri is from Al-Ain and has been Secretary General of the Executive Council since 1987. He reportedly has made millions of dollars simply by agreeing to put certain projects on the Executive Council's agenda for deliberation. Al-Dhaheiri also is Undersecretary of Shaykh Khalifa's Office, and reportedly the Crown Prince's personal assistant and adviser on the day-to-day administration of Abu Dhabi. He is a member of the SPC and ADNOC Board of Directors, and formerly served as a member of the Higher Council for Petroleum Affairs. Al-Dhaheiri is a private businessman, as well, with interests in Al-Ahlia General Trading Co. Ltd., and Emirates Company for Insurance.

¶E. Mohammed Sultan bin Surour Al-Dhaheiri represents a powerful business family in Abu Dhabi and Al-Ain, and serves as Chairman of the Abu Dhabi Department for Organization and Management. His father, Sultan bin Surour Al-Dhaheiri is Speaker of the National Consultative Council and his brother Surour, is Chairman of Abu Dhabi Commercial Bank. Mohammed Sultan is a managing partner in the Al-Dhaheiri Group of Companies -- the most prominent of which is the Union Bank of the Middle East. He worked in the UAE Central Bank for many years and formerly served as Central Bank Governor.

¶F. Mohammed Saleh bin Badwa Al-Darmaki is Chairman of the Abu Dhabi Customs Department, and a confidant of Crown Prince Khalifa. He formerly was Undersecretary to the Ruler's Representative Office in the Eastern

Region, and remains very close to Shaykh Tahnoon bin Mohammed and his sons. Most observers say that bin Badwa is destined for a prominent position in the UAE federal government once Khalifa succeeds his father as UAE President.

¶G. Musallam Saeed Al-Qubaisi is Chairman of the Abu Dhabi Department of Planning and also Chairman of the Electricity Privatization Committee. The Planning Department is perceived by American businessmen to be the most corrupt and ill-managed department in Abu Dhabi Municipality -- probably because Al-Qubaisi is an admitted Francophile who prefers to award Planning Department contracts to French firms. Al-Qubaisi also is a member of the Board of Directors for Abu Dhabi Islamic Bank, and is a partner in a number of local oilfield services companies.

¶11. (C) Khalifa trusts some members of the Executive Council more than others, and often meets with Council members one-on-one to either seek their advice or to discuss personal interests in certain projects. It is understood that many Council members use their position on the Executive Council to promote projects that are personally profitable, but this private stake, we are told, is never discussed among the larger group. Nevertheless, the business interest is known to all Council members, who do not contest the project in the open forum -- they expect quid pro quo treatment at a later date.

(Note: Although not all departments in Abu Dhabi are represented on the Executive Council, they include Shaykh Zayid's Private Department, the Ruler's Representative in the Western Region, the Zayid Bin Sultan Al-Nahyan Charitable Foundation, the Court of His Highness the Crown Prince, His Highness the Crown Prince's Private Management Office, Private Department of Shaykh Hamdan bin Mohammed Al-Nahyan, Private Department of Shaykh Tahnoon bin Mohammed Al-Nahyan, Private Department of Shaykh Mohammed bin Khalid Al-Nahyan, Abu Dhabi Chamber of Commerce and Industry, Water and Electricity Authority, Agriculture and Livestock Department in Al-Ain, Civil Aviation, the Cultural Foundation, Customs Department, Economic Department, Finance Department, General Industries Corporation, Organization and Management Department, Planning Department, Directorate General of Police, Public Works Department, Purchasing Department, Seaport Authority, Social Care and Children's Affairs Authority, Social Services Department, and Sharia Judicial Department. End note.)

How The Executive Council Works

¶12. (C) Executive Council meetings generally are closed sessions. Technical advisers or project managers may be admitted from time to time. Some shaykhs and royal family members may also attend if they have a personal stake in a project to be discussed by the Executive Council. One of the Executive Council staff tells us that shaykhs sometimes will seek Khalifa's approval for a project in advance, and attend the Executive Council meetings for the rubber stamp of approval.

¶13. (C) More frequently, the Executive Council seriously deliberates the merits of projects -- but only those funded directly by Abu Dhabi and Al-Ain Municipalities, including federal projects. Our working-level contacts within the various Abu Dhabi departments say that each office is responsible for vetting projects and pitching them to the Department Chairman. The Chairman can authorize projects valued up to a set, designated amount, (department budgets are usually fungible) but extraordinary multi-billion dollar projects must receive final approval from the Executive Council. The Chairman advocates for his Department's projects during Executive Council deliberations.

¶14. (C) Planning Department personnel tell us that the Executive Council may even deliberate the specifics of a project, including its budget. This is particularly true of high-profile projects, such as Abu Dhabi's construction of a new six-lane Corniche Highway -- carrying a price tag of about USD \$330 million. The Chief Engineer of the Corniche project told Econoff that he was requested to appear before the Executive Council to explain the proposed construction in detail, to include artists' renderings of the finished product.

¶15. (C) The approval process for the Abu Dhabi annual budget, and each department's annual allocation, is similar to that of major projects. The Abu Dhabi Department of Economic Affairs Manager of Economic Affairs says that each department is responsible for developing its own budget, and the Chairman presents the proposed departmental budget to the Executive Council for approval. Relying on the previous year's budget as a guide, the Executive Council either approves or amends the budget.

¶16. (C) Most observers say that each of the Department Chairmen predictably lobbies for a larger budget each year, as well as for approval for pet projects. Crown Prince Khalifa's consensus-driven management style sets the tone for discussions, which are non-confrontational and end with general agreement. Our contacts at the working-level of the Abu Dhabi Economic Department tell us that department heads often seek alliances with each other prior to Executive Council meetings -- especially if a project involves one or more departments working collaboratively -- to approve projects with as few modifications as possible.

Executive Council Strengths and Weaknesses

¶17. (C) Given the considerable experience of the Executive Council's members in both government bureaucracy and private sector ventures, decisions undertaken by the Council probably are based on a technical and financial evaluation of a project, and are in the perceived long-term interests of the Emirate. The consensus-based decision making process of the Executive Council ensures that the effects of political favoritism are limited. Local businessmen say that Crown Prince Khalifa sets clear limits to how much each Council member can personally profit from the group's decisions.

¶18. (C) The Executive Council, nevertheless, is susceptible to outside influence and corruptibility. The fact that most Council members hold high-ranking municipal positions as well as head leading local companies is a conflict of interest by Western standards. The most powerful business families in Abu Dhabi also are represented on the Executive Council, and profit from the group's decisions. It is a frequent complaint among our private sector (mostly expatriate) contacts that tendering of government contracts in Abu Dhabi is far from transparent.

¶19. (C) Recently, a lesser Abu Dhabi businessman commented to Econoff that Mohammed bin Butti Al-Hamed, the Mayor of Abu Dhabi Municipality, gives municipal projects to certain local companies and inflates the project costs by as much as two or three times -- with the resultant extra dividends going to all involved. Bin Butti also has been accused of profiting personally by gouging the municipality on the costs of spare parts.

Implications for U.S. Companies

¶20. (C//NF) Many foreign companies have made considerable inroads with the Executive Council membership, and use those relationships to win multi-million dollar government contracts in Abu Dhabi -- often despite a lower American

bid. In mid-2002, a French firm beat out American company TYCO for the USD \$850 million contract to construct the Shweihat pipeline. Although the initial TYCO bid reportedly was 20 percent lower than the French bid, the French company's sponsor Shaykh Dhiyab bin Zayid Al-Nahyan convinced the Executive Council to retender the project.

¶21. (C//NF) U.S. companies, too, have lobbied and received contracts from the Executive Council. Many American firms -- particularly those in the construction, public utilities, and transportation sectors -- benefit from cultivating relationships with key Executive Council members. In 1998, Crown Prince Khalifa and the Executive Council awarded American company CMS the contract for the first independent water and power project (IWPP) in Abu Dhabi in 1998. Based entirely on its success in managing the first IWPP, CMS also won the tender for the second IWPP in 2001.

¶22. (C//NF) The Executive Council also convenes to mediate high-profile business disputes, and to maintain equity among the competing business families in Abu Dhabi. In this capacity, American firms have sought partiality among Executive Council members in local business disputes. Most recently in mid-2002, the Executive Council overruled the Abu Dhabi Planning Department and Abu Dhabi Civil Aviation on their decision to grant a \$30 million deal to French company Airsys, instead of U.S. company Raytheon, for air traffic control radars in Abu Dhabi and Al-Ain. The Abu Dhabi Executive Council -- in writing -- exempted Raytheon from the Israeli boycott clause in the antiquated, standard contract form still used by the Department of Civil Aviation. Using their connections within Abu Dhabi's Planning Committee, the French sought to have the Raytheon bid disqualified for non-compliance unless the firm accepted the boycott provision.

Comment

¶23. (C) Comment: While the Executive Council from time to time may simply provide political cover for decisions taken by Shaykh Zayid and Crown Prince Khalifa, it is clear that the Executive Council more frequently acts as the key body in administering the considerable wealth of the UAE. Executive Council members are experienced technocrats and businessmen in their own right, and represent the best and the brightest that the UAE has to offer. We will seek meetings with some of the lesser-known Executive Council members in the coming year to gain further insight into the machinations of this powerful, yet low profile, body. End comment.

Wahba